

# **REPORT OF THE WORKING GROUP**

## **ON ACCOUNTING AND RECONCILIATION PROCEDURE OF THE STATE GOVERNMENT TRANSACTIONS**



**Reserve Bank of India**

*PRIVATE AND CONFIDENTIAL*

(For restricted circulation)

**REPORT OF THE WORKING GROUP**

**ON ACCOUNTING  
AND RECONCILIATION PROCEDURE OF  
THE STATE GOVERNMENT  
TRANSACTIONS**

**Reserve Bank of India  
Central Accounts Section  
Nagpur - 440 001**



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Regional Director for Maharashtra

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D.O. CAS.No.77/10.10.10(1)/2001- 2002

May 24, 2002

Dr. Y.V. Reddy  
Deputy Governor  
Reserve Bank of India  
Central Office  
Mumbai-400 001.

Respected Sir,

**Working Group on Accounting and Reconciliation Procedure  
- State Government Transactions**

A Working Group with your approval dated 14<sup>th</sup> August 2001 was constituted with Finance Secretaries of Andhra Pradesh, Madhya Pradesh, Maharashtra and West Bengal as its members, in addition to the representatives of Comptroller and Auditor General of India, Controller General of Accounts, Ministry of Finance, Government of India and the senior officers of State Bank of India and Reserve Bank of India. The Group was, *inter alia*, required to examine the existing procedures of reporting, accounting and reconciliation of State Government transactions and suggest appropriate improvements in the existing systems to ensure quick flow of transactions, information and accounts from point of origin to its final accounting at Central Accounts Section, Nagpur.

I am extremely pleased to submit herewith for your kind consideration, the report of the Working Group.

I thank you, Sir, for the confidence reposed in me in entrusting the task and appointing me as Chairman of the Group. I hope that the findings and recommendations of the Group will address the concerns of the Finance Secretaries of the various State Governments, other Government functionaries and remove the inherent deficiencies of the existing Scheme, while retaining the basic structure.

Thanking you,

Yours respectfully,

(A.K. Sohani)  
Chairman of the Group

Encl: 1 Report.

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## **CHAPTER I**

### **Introduction**

In terms of provisions of Sections 20, 21 and 21A of the Reserve Bank of India Act, 1934 the RBI acts as banker to the Central and State Governments. The Reserve Bank of India (RBI) provides to the Central and State Governments, a full range of banking services such as acceptance of monies on Government account, payment / withdrawal of funds and collection and transfer of funds throughout India. The work of actual receipt and payment of monies on behalf of State Governments is carried out at Offices of RBI and its Agency Banks authorized to conduct Government Business on its behalf, as per provisions of RBI Act, 1934.

- 1.1 While the Principal Government Deposit Accounts of State Governments are maintained at Central Accounts Section of RBI at Nagpur, the Regional Offices of RBI maintain subsidiary accounts. Till 1987, the accounts were wholly centralized at Central Accounts Section (CAS), Nagpur. Due to the centralized reporting / accounting procedure followed by the Reserve Bank, State Governments were facing problems relating to reconciliation of accounts, MIS reporting etc. In this background, a High Level Committee constituted in 1985 by the Government of India under the Chairmanship of Shri K.P.Geethakrishnan, the then Additional Secretary (Expenditure), Government of India, for reviewing the General Financial Rules, Central Treasury Rules and Account Codes, studied the issue. Shri T.N.A. Iyer, the then Executive Director, RBI, who was also a member of the Committee, proposed partial decentralization of maintenance of Cash Balances of State Governments at State level, which was accepted, in principle, by the Committee. The Study Group, which was set up subsequently, under the Chairmanship of Shri T.N.A. Iyer laid down the modalities of the proposed system of partial decentralization of State Government transactions, which was eventually introduced in 1987.

#### **Constitution of the Group**

- 1.2 In the Conference of State Finance Secretaries held in Mumbai in May 2001, some of the Finance Secretaries observed that the existing procedures of accounting, reconciliation and confirmation of balances are cumbersome and the system of reporting between Agency Bank branches, RBI Regional Offices and Central Accounts Section, Nagpur needed to be streamlined. Accordingly, the RBI examined the issues

and constituted a Working Group on Accounting and Reconciliation Procedure – State Government Transactions (Group), comprising the following members:

1. Shri A.K.Sohani,  
Regional Director for Maharashtra,  
RBI, Nagpur. Chairman
2. Shri S.K. Arora, IAS,  
Principal Secretary (Finance),  
Government of Andhra Pradesh, Hyderabad. Member
3. Shri Sudeep Banerjee, IAS,  
Principal Secretary (Finance),  
Government of Madhya Pradesh, Bhopal. Member
4. Shri Samar Ghosh, IAS,  
Principal Secretary (Finance),  
Government of West Bengal, Kolkata. Member
5. Shri Sudhir Shrivastava, IAS,  
Secretary (Finance),  
Government of Maharashtra, Mumbai. Member
6. Shri S.C.S Gopalakrishnan, IA&AS,  
Principal Director (AEC),  
Office of the Comptroller and  
Auditor General of India, New Delhi. Member
7. Shri S.Murugiah, IA&AS,  
Accountant General, Maharashtra, Nagpur. Member
8. Shri U.K. Maitra, ICAS,  
Joint Controller General of Accounts,  
Office of the Controller General of Accounts,  
Government of India, New Delhi. Member
9. Shri K.Venkatappa,  
Chief General Manager,  
Department of Government and Bank Accounts,  
Reserve Bank of India, Central Office, Mumbai. Member

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|-----|--|---------------------|
| 10. | Shri B.M. Musaddi,<br>Deputy General Manager,<br>State Bank of India,<br>Government Accounts Department,<br>Navi Mumbai. | Member              |
| 11. | Shri M.G.Warrier,<br>General Manager,<br>Central Accounts Section, Reserve Bank of India,<br>Nagpur                      | Member<br>Secretary |

**1.3** The terms of reference to the Group are as under:

- (1) To examine, review and suggest changes in the existing accounting and reporting mechanisms for State Government transactions with the RBI and its Agencies;
- (2) To suggest a methodology for reconciliation of pending discrepancies in accounts and an acceptable system of confirmation of balances;
- (3) To examine other connected issues and suggest improvements in the existing systems to ensure quick flow of transactions, information and accounts, from the place of origin of a transaction to its final accounting by Central Accounts Section / States and
- (4) To make recommendations on any other related issues.

**1.4** The Group held four meetings at Nagpur. In its first meeting, the Group constituted two Sub-Groups, the first to undertake a quick study of the existing accounting systems and procedures and make suggestions for modification / improvement in the existing formats of the reporting system under Partial Decentralization Scheme. The Sub-Group studied the issues by visiting selected Treasuries, branches of Agency Banks and the Link Offices and reported its findings to the Group, for its consideration. Feedback / comments received from the members, banks, RBI Offices and the Accountants General of few States were taken into account. The views of select Accountants General from different regions were also obtained in an interactive session with the representatives of the Comptroller and Auditor General of India and RBI.

- 1.5 The second Sub-Group was to examine the use of Information Technology, in so far as it relates to its application in the management of Government Accounts. The Sub-Group, after a comprehensive study, has come out with valuable suggestions, which have been incorporated in the report.

### **Acknowledgements**

- 1.6 The Group was immensely benefited and places on record its sincere thanks for the valuable contributions in the interactions with Smt. Veena Ish, Secretary (Finance), Government of Andhra Pradesh, Shri Deepak Khandekar, former Secretary (Finance), Government of Madhya Pradesh, Shri P.K. Mishra, Joint Secretary (Finance), Government of West Bengal, Shri Gopinath Narayan, IA&AS, Deputy Accountant General, Maharashtra and Shri M. Brahmaiah, Director (Treasuries & Accounts), Government of Andhra Pradesh.

From Reserve Bank of India's side, Shri Subhash Chander, Assistant General Manager, Shri Shailendra Trivedi, Manager, both from Central Accounts Section and Shri Girish Kallianpur, Deputy General Manager, Department of Government and Bank Accounts, made in depth study of the scheme and shared their expertise in developing the recommendations.



## CHAPTER II

### **PARTIAL DECENTRALISATION OF STATE GOVERNMENT ACCOUNTS**

- 2.1 As mentioned in paragraph 1.1, a comprehensive review by a High Level Committee led to the introduction of "Scheme for Partial Decentralization" for reporting and accounting of State Government Transactions with effect from 1<sup>st</sup> October 1987. The Scheme had the following in-built features:

The Office of RBI in the State Headquarters (or nearest to the State Headquarters) would account for the State Government transactions reported by Agency Banks and maintain in this regard, detailed subsidiary accounts of the transactions.

The branches of Agency Banks conducting State Government work would report the transactions of the States effected by them, to their Link Office at the State Headquarters (or nearest to the State Headquarters) on daily basis. The latter would report the transactions to the RBI Office (PAD) at that centre for accounting and settlement.

PAD would advise the daily balance of the State Government in their books at the end of each day to Central Accounts Section, Nagpur to enable them to work out the overall balance position of the State Government, which would be intimated by them along with the details of other transactions, to the office of the RBI in the State Headquarters for transmission to the State Government. The Principal Government Deposit Accounts of the State Governments would, however, continue to be maintained at CAS.

The PAD maintaining the Deposit Account of the State Government would be responsible for the submission of Monthly Statement to Accountant General / Government and also for the reconciliation of difference between Treasury figures and bank figures, as reported by Accountant General, under the revised procedure introduced in July 1984 and

CAS would submit to Accountant General of each State, a Monthly Statement of Cash Balance and the latter should confirm the balance within a period of one month.

Explicit reporting arrangements as between Treasury and Sub-Treasury and Agency Bank branches handling State Government

transactions and RBI offices concerned, have been laid down in the scheme.

2.2 The working of the Partial Decentralization Scheme revealed certain shortcomings in the arrangement envisaged in the scheme, specific to monitoring and management of finances by the State Government, was found to suffer from certain deficiencies as under:

- There were delays in reporting Cash Balance position.
- Information furnished by CAS to the Finance Departments was inadequate for an analysis and corrective action.
- Figures reported in the Monthly Statements of Cash Balance by CAS could not be reconciled by the Accountants General with the corresponding figures arrived at from the accounts rendered by the Treasuries, making it difficult for the latter to furnish Balance Confirmation to CAS.

The State Governments voiced the need for an overall review of the Partial Decentralization Scheme of reporting and accounting arrangements at RBI and other functionaries.

## CHAPTER III

### REVIEW OF THE EXISTING ACCOUNTING PROCEDURE

3.1 The Group made a comprehensive review of the existing procedures under the decentralized system of reporting, accounting and reconciliation. The Group unanimously agreed that the systems and procedures outlined in the existing "Scheme of Partial Decentralization" introduced in 1987 are broadly adequate to meet the accounting and reporting requirements and that the present problems have been mostly due to inadequacies and lags in the implementation of the scheme by the parties involved. The refinements / modifications, which need to be incorporated into the Scheme for removal of the deficiencies in the existing system, are discussed in the following paragraphs :

#### A. At Agency Bank Branch

3.2 The Agency Bank branch handling the State Government transactions sends the Receipt / Payment Scrolls in the prescribed Form (TR. 44) along with the challans and vouchers to the Sub-Treasury / Treasury to whom they are attached.

3.3 The Agency Bank branch is required to maintain two Pass Books or Register with particulars of total Receipts and Payments and the number of supporting vouchers, on the lines of daily scrolls.

3.4 The need for maintaining two Pass Books is that they are used on alternate days giving one full day to the Treasury / Sub-Treasury Officer for checking the transactions as entered in the Pass Books.

3.5 The Group has observed that these Pass Books are not maintained in the manner envisaged. In several banks, a computer generated report in loose sheet form is sent along with the scrolls as a covering report indicating the summary of transactions i.e. total receipts and payments and the number of documents in the scroll. The total of receipts and payments indicated in the covering report is verified with the total amounts indicated in the scrolls. Similarly, the number of documents indicated in the covering report is only verified with the total number of documents that are mentioned in the scroll. After such a cursory verification, the Treasury / Sub-Treasury Officer initials the copy of the covering report acknowledging the receipt of the scroll

and the accompanying documents. The objectives of introducing a Pass Book and an acknowledgement are not achieved with this system. However, Pass Book envisages that a certificate of correctness of the transactions is given by the Treasury / Sub-Treasury Officer after verification of each item of receipt and payment undertaken by the Agency Bank and recorded in the scroll, with reference to the challans and the cheques / Cheque Delivery Register (CDR), respectively. Further, where daily verification of the receipts and payments at the Agency Banks is completed by the Treasury / Sub-Treasury Officer on the next day, there could practically be no difficulty in preparation of the monthly position expeditiously and accurately and more importantly, scope for discrepancies and reconciliation are minimal.

- 3.6 The accuracy of and timeliness in working out the monthly Cash Balance of a State depends on the Date-wise Monthly Statement (DMS), which is based on the Pass Book details, as envisaged in the existing procedure.
- 3.7 The Group is of the view that the Pass Book should be maintained properly and should not merely be an acknowledgement of the receipt of scrolls. The signature of the Treasury / Sub-Treasury Officer on the Pass Book / Register, accordingly, should be a confirmation and / or certificate of correctness of the transactions. **Accordingly, the Group recommends that a specific Certificate of Confirmation of figures as reflected in the scrolls by the Treasury / Sub-Treasury Officer be included in the Pass Book, so that the overall responsibility of ensuring the correctness of the Pass Book figures rests with the Treasury / Sub-Treasury Officer.**
- 3.8 The Group was informed that there have been delays in rendering the scrolls along with the Pass Book / Register by the Agency Banks to the Treasury / Sub-Treasury, which is attributed to the meticulous tallying of all the daily receipts and payments by the Agency Bank, before closing of the day. **In order to ensure that due date for transmission of the scrolls and the Pass Book / Register is meticulously observed by the Agency Banks and the Treasury / Sub-Treasury, the Pass Book should have specific columns for date of sending and returning it, in addition to the transaction date. This would enable respective Inspection Authorities of the Agency Banks and the Treasury / Sub-Treasury to review the actual position for suitable corrective action.**

- 3.9 The Group found that under the existing procedure, formal arrangements were absent for communication of discrepancies, if any, in the Pass Book, to the Agency Bank by the Treasury / Sub-Treasury. Discussions with some of the agencies concerned revealed that the Treasury / Sub-Treasury intimated the discrepancies to the Agency Bank in an informal manner or through personal contacts. While recognizing the useful role of such informal arrangements, **there is a need for a regular system of sending a Memorandum of Error by the Treasury / Sub-Treasury to the Agency Bank, wherever discrepancies are noticed either in the total number of documents received or in the details of transactions mentioned in the documents. A format of the Memorandum of Error is given in Annexure I.**
- 3.10 It was brought to the notice of the Group that instances of non-receipt of challans or vouchers was rather frequent than errors in transaction amounts reported. **This underlines the need for following meticulously, the time tested practice of sending the instruments in a locked box, which would guard against any alteration / obliteration of documents before they reach the other end. Non-receipt of documents comprised in the scroll by the Treasury / Sub-Treasury, impact the State finances significantly. Further, difference between scroll figures and the challan figures cannot be detected by the Treasury / Sub-Treasury in the absence of the challans. In these circumstances and as a matter of facilitation at grassroot level i.e., Sub-Treasury / Treasury, the Group was of the view that format of the Pass Book may be modified as in Annexure II.**
- 3.11 The Working Group discussed and expressed concern about the increasing tendency on the part of the Agency Banks in delaying credit of the receipts to the State Government accounts. The Group noted that there is no system in place for recovery of penal interest on delayed remittances as in the case of Central Government. The need was felt for introducing an element of accountability among the Agency Banks for such delays, by charging appropriate penal interest. **The Group recommends that penal interest of two percentage points above the Bank Rate may be charged on delayed receipts of Rs. 10 lakhs and above, if the period of delay exceeds the prescribed time for crediting such transactions. The prescribed period at present is 10 days for normal branches and 15 days for the branches situated in far-flung areas. The Group feels that the prescription in regard to period may be reviewed after one year, in the light of the procedural improvement and impact of computerization.**

- 3.12 The Group noted that presently the Agency Bank branch is required to intimate daily, its Link Office by telegram / telex, if the net difference between the total receipts and total disbursements of the State Government's transactions is Rs 1 lakh or more. Taking into account the concerns of the State Governments for speedy reporting and accounting of their transactions, as also the advancements in the information and communication technologies, **the Group suggests that all transactions be reported by fax / telex / telegram / e-mail.**
- 3.13 Under the existing procedure, at the end of each month, the Agency Bank prepares a Date-wise Monthly Statement (DMS) in the prescribed Form 'A' in quadruplicate / quintuplicate (in case of a Sub-Treasury), based on the entries in two Pass Books as verified and certified by both the Agency Bank and Treasury / Sub-Treasury. DMS is required to be submitted to the Treasury / Sub-Treasury not later than 1<sup>st</sup> working day of the month succeeding that to which it relates. The statements submitted to the Treasury / Sub-Treasury is scrutinised by the Sub-Treasury / Treasury Officer and one copy thereof is required to be returned, within a period of 3 days from the date of its receipt to the branch of Agency Bank with a certificate to the effect that it has been checked and found correct. **On a review, the Group recommends that the Treasury / Sub-Treasury should return the DMS duly verified within 2 days of its receipt to the Agency Bank branch instead of 3 days.**
- 3.14 The copy of Verified Date-wise Monthly Statement (VDMS) received from the Treasury / Sub-Treasury is required to be forwarded by the Agency Bank branch to its designated Link Office on the day of its receipt from the Treasury / Sub-Treasury. **The Group recommends that the VDMS be faxed by the Agency Bank branch to its designated Link Office, followed by post copy.**

**B. At Treasury / Sub- Treasury**

- 3.15 The Treasury Officer has to receive the Pass Book along with Receipt / Payment Scrolls, challans and vouchers from the Agency Bank branch, wherein the Treasury Officer has to acknowledge the receipt of the documents each day. Similarly, the Treasury Officer has to verify the correctness of the entries in the Pass Book with reference to the challans, vouchers and scrolls and for doing so, the Treasury Officer gets one day. The Treasury Officer has to put his initials in the Pass Book in the column provided, in token of having received the documents and

ensured the correctness. The Pass Book is to be returned to the Agency Bank branch on the succeeding day with the initials of Treasury / Sub-Treasury Officer, as mentioned earlier and in case of discrepancy, a Memorandum of Error indicating the corrections to be made should be sent.

**3.16** During the course of visits to some of the Treasuries, members of the Sub-Group observed that the prescribed verification procedure was not adhered to by the Treasuries. No Pass Book was being maintained by several bank branches. The Treasuries did not verify and / or confirm the correctness of the daily transactions. **The system of reconciling the differences, if any, through a Memorandum of Error may strictly be adhered to by the Treasuries connected with remedial measures, as indicated in paragraphs 3.7 to 3.9.**

**3.17** On the 1<sup>st</sup> working day of a month, the Treasury / Sub-Treasury has to receive DMS from the branch of Agency Bank in quadruplicate / quintuplicate relating to the transactions of previous month. The Treasury Officer has to scrutinize and certify that the figures contained in the DMS have been checked and found correct. Such certified DMS is called VDMS. One copy of VDMS has to be returned to the Agency Bank branch within 3 days from the day of its receipt by Treasury / Sub-Treasury. The Group has recommended reduction of this time period to 2 days (para 3.13). Two copies of the VDMS together with consolidated statement of Receipt and Payment are to be forwarded to the Accountant General by 10<sup>th</sup> of the succeeding month, for months other than March. For March, they are to be submitted by 15<sup>th</sup> April.

**3.18** The Group observed the following deficiencies in submission of the DMS by some of the Agency Bank branches:

- (i) The Agency Bank branches were not generally reporting the transactions to the Treasuries on a daily basis. There was a tendency of bunching two to three days' transactions or reporting only once or twice in a month.
- (ii) Delay was noticed in submission of the DMS to the Treasuries by the Agency Banks.
- (iii) The DMS furnished was not in the prescribed format.
- (iv) The DMS contained cuttings and alterations.

- (v) The branches submitted 5 photocopies of DMS to the Treasury instead of 5 signed copies.
- (vi) There was no uniformity in preparing the scrolls and DMS. While some branches furnished computer-generated scrolls / DMS, others submitted manually prepared scrolls / DMS.
- (vii) A large number of Agency Bank branches have not computerized Government business module. Even in cases, where the branch claimed having fully computerized module, it was observed that State Government receipt and payment work was being done manually. This resulted in delays in the preparation of scrolls and DMS and further delays in transmission thereof.

**3.19 The Group favours reiteration of the prescribed procedure, *mutatis mutandis*, for adherence by both the Agency Banks and Treasuries, which will ensure minimizing discrepancies of the above nature. Treasuries may be advised to ensure that the documents received from the Agency Bank branches are correct and complete in all respects. Appropriate internal control systems for monitoring compliance with the prescribed procedure may be put in place, both in banks and Treasuries. RBI may bring out a Handbook containing all the related instructions for use of the concerned functionaries.**

**3.20 The VDMS is a basic document, which depicts the actual payments and receipts. Once the VDMS is found correct and certified by the Treasury Officer based on the accounts independently compiled in the Treasuries, agreement is established between the bank and the Treasury with regard to the accuracy of payments and receipts and the net Cash Balance i.e. the Reserve Bank Deposit (RBD) figure. The Group is of the view that, in case of any difference between the figures in the VDMS and the figures as reported by the Link Offices to the PAD, such difference should be rectified with reference to the VDMS, as soon as it is received by the Link Offices of the Agency Bank.**

**3.21 The Group observed that in some States more than one Treasury was linked to single branch of the Agency Bank and separate Treasury-wise bank figures were not maintained. For example, in Kolkata, RBI is serving four Treasuries. More than one Treasury attached to a single branch, gives scope for mix up of the documents and figures relating to different Treasuries, rendering the reconciliation between**



the Treasuries and banks, cumbersome. **The Group recommends that RBI should address the issue of linking one Treasury with one Agency Bank branch.**

- 3.22** The Treasuries have to send the monthly account to the Accountant General by 10<sup>th</sup> of the following month. Experience in the offices of the Accountants General is that there had been delays in submitting the monthly accounts by the Treasuries, leading to their exclusion from being compiled in time in the Accountants General office. Such excluded accounts cause difference in the monthly figure of RBD between the accounts of Accountant General and the CAS. However, at the end of March (supplementary) accounts, such difference, if any, are neutralised, when the excluded accounts of previous months are incorporated, before closing of accounts of the year as a whole. **With a view to avoid even such month to month temporary differences on account of exclusion of accounts, the Working Group recommends that State Governments may ensure submission of monthly accounts to the Accountants General in time by Treasuries.**
- 3.23** Mention has been made in para 3.5 to 3.11 & 3.21 about the deficiencies in maintenance of Pass Book and VDMS. Added to that, verification and certification of the daily transactions and the DMS by the Treasury is not done timely and meticulously with reference to the records of the Treasuries. There were delays in certifying the DMS, which are avoidable, if the daily transactions are checked and reconciled on an ongoing basis. Few instances of fraud have also been brought to the notice of the Working Group due to inadequate reconciliation work at Treasuries. **The Working Group recommends that State Governments may impress upon the Treasuries, the importance of daily reconciliation and ensure strict compliance of this requirement.**
- 3.24** Under the existing procedure, the Agency Bank prepares the DMS in quadruplicate and sends the same to the Treasury for confirmation. After verification, the Treasury returns one copy of the verified DMS (VDMS) to the Agency Bank branch, retaining the second copy with itself and forwards the remaining two copies to the Accountant General. The Agency Bank branch is required to forward the copy of VDMS to its Link Office on the same day of its receipt from the Treasury. Consequently, the Agency Bank branch is left with no copy of VDMS on its records for subsequent reference. Further, when the Treasury intimates corrections to the DMS, it is necessary for the Agency Bank branch to maintain a copy of such VDMS for its record. DMS being the important basic document for the purpose of

determining the correct Cash Balance of the State Government and being used by various agencies, it becomes imperative that each copy of DMS and VDMS bears the certificate of correctness by the Branch Manager and the Treasury Officer in original, so that its authenticity is not disputed at any time. **The Group recommends that the DMS be prepared by the Agency Bank branch in quintuplicate (for Treasury) and in sextuple (for Sub-Treasury), wherever Government business is computerized. This will enable the Treasury to return two copies of the VDMS to the Agency Bank branch for use of the branch and Link Office.**

- 3.25 The Group noted that there were delays in sending the DMS to the Treasury / Sub-Treasury by the Agency Bank branch and again, in returning the VDMS by the Treasury / Sub-Treasury. If the preparation of the DMS by the Agency Bank branch and the verification of the DMS by the Treasury / Sub-Treasury are actually done with reference to the certified details in the Pass Book, such delays are definitely avoidable. **The Group stresses the importance of proper implementation of the Pass Book system by the Agency Bank branch and the Treasury / Sub-Treasury alike.**
- 3.26 In order to ensure that there is no time gap between the collection of money by the Agency Bank and its credit to the State Government account, **Director of Accounts and Treasuries may organize a periodical test check of the Treasuries / Sub-Treasuries for comparing the dates in the challan and in the scroll for high values. This should figure in the checklist as a regular item, for the various agencies inspecting the Treasuries / Sub-Treasuries.**
- 3.27 The Group was informed that there was no standardized practice for submitting the VDMS and consolidated statement of Payments and Receipts by the Treasuries to the Accountants General. **The Group recommends that the Comptroller and Auditor General of India may prescribe a standard format for reporting to the Accountants General by the Treasuries, the Receipts and Payment transactions handled in the Agency Bank.**

**C. At Link Office of the Agency Bank**

- 3.28 The Link Office of the Agency Bank receives daily advices from its branches showing aggregate receipts and payments of the day, on State Government account. **Such advices should be received from the branches, by Fax / Telex / Telegram / e-mail in all cases, as recommended in para 3.12.**

- 3.29 The Link Office consolidates the total receipts and payments on the basis of daily advices received by it and reports the same to the designated PAD.
- 3.30 As daily advices relating to State Government transactions of a month continue to be received from the branches even after the end of that month, the Link Office prepares and sends two separate consolidated advices, one for the previous month of account and the other for the current month of account to the designated PAD.
- 3.31 **The Group recommends that the daily transactions relating to a month reported by the Agency Bank branches by Telegram/Fax or email, should, on receipt of the certified VDMS from the Agency Bank branches, be verified by the Link Offices and in case of differences, necessary corrections should be carried out in the same month with the PAD.**
- 3.32 Under the existing system, on 11<sup>th</sup> of each month, the Link Office compiles and submits to the designated PAD, six copies of the Statement of Transactions, showing branch-wise total receipts and payments of the month. The total monthly receipts and payments shown in this statement should tally with the total receipts and payments of each branch as already advised to the PAD through daily advices for that month and the total receipts and payments of each branch as per the VDMS.
- 3.33 Transactions of previous month's account received from the Agency Bank branches after 10<sup>th</sup> of the following month and transactions pertaining to the other previous months have to be advised to the PAD, through a separate statement for accounting.
- 3.34 The Group has viewed the role of the Link Office as crucial to ascertaining the correct position of the Cash Balance of a State. As stated earlier, the Link Office is the first point of convergence for the two streams of reporting of the Cash Balance of a State.
- 3.35 The First stream of reporting is the daily advices received directly from the Agency Bank branch either through telegram, fax or e-mail. On the basis of this reporting, the daily Cash Balance position of a State is computed by the PAD and the CAS. Despite delays in reporting low value transactions and possible errors in reporting by telegram / fax, the Cash Balance in respect of a State compiled through this stream of reporting provides a near actual position.

- 3.36 The Second stream of reporting is through the VDMS, which are the final and certified figures of Cash Balance in respect of transactions in the Agency Banks. Only these figures go into the books of the Accountant General. Once the VDMS figures are available with the Link Office, the figures of daily cash transactions in that particular Agency Bank branch should be treated as final and the Agency Bank branch should not be permitted to further modify it. The Group noted that modifications carried out after finalization of the VDMS, contributed to differences in the Cash Balance figures of CAS and the Accountant General. This is for the reason that such modifications do not go through the regular accounting of the Treasuries or the Accountant General.
- 3.37 Thus, in regard to the two streams of reporting, there are two distinct scenarios in the Link Office as under:
- i. The daily advices from the Agency Bank branch for a particular date - either current or previous - is received either completely (both by Telegram / fax as well as mail) or partly (only by telegram / fax but not through mail); and the VDMS figures for that particular date are not available. In this case, every endeavour should be made to obtain the VDMS figures for that date and further adjustments may be permitted only thereafter, as may be considered necessary.
  - ii. The VDMS figures are received by the Link Office but figures through the usual daily advices from the Agency Bank branch are not available. In such a scenario, there is no compulsion to wait for the primary figures when the final figures through VDMS are available. The Link Office should straightaway adopt the VDMS figures. Further, the Agency Bank branch should not be allowed to suggest any further modifications independently, by means of fax / telegram or mail advices, except through VDMS. **In other words, any changes the Agency Bank branch wishes to make, may be done only through the Treasury account (and VDMS).**
- 3.38 **The Group recommends that the above-mentioned basic principles should be in-built in the reporting and accounting arrangements of Link Office. A suggestion has been made in para 5.4 of the report to introduce a system of branch-wise, date-wise reporting by Link Cells to PAD. While submitting the monthly statement of transactions to the PAD on the 11<sup>th</sup> of every month, the Link Office should distinctly show the figures of VDMS and the original figures for each transaction date. The following scheme of reporting is suggested.**

**Transaction Month (Immediate Previous Month and Year)**

**Name of the Branch / Bank**

Transaction date	Originally reported figures			Figures as per VDMS			Further adjustments (Difference between columns 7 & 4)	Remarks
	Receipts	Payments	Net	Receipts	Payments	Net		
1	2	3	4	5	6	7	8	9
1								
2								
31								
Total for the month								

**3.39** Any adjustments for previous months should not be mixed up but should be distinctly tabulated separately as follows :

**Adjustment Pertaining to the Earlier Months**

**Name of the Branch / Bank**

Transaction Month & Date	Originally reported figures			Figures as per VDMS			Further adjustments (Difference between columns 7 & 4)	Remarks
	Receipts	Payments	Net	Receipts	Payments	Net		
1	2	3	4	5	6	7	8	9
Month								
Date								

Such distinct reporting for (a) the immediate previous month and (b) the earlier months should invariably be adopted by the Link Office in its monthly statement of transactions, notwithstanding the closure of month of account at the PAD / CAS. It is for the PAD or the CAS, to determine in which month of Account the adjustments are to be incorporated. The above arrangement dispenses with the need for maintenance of branch-cards.

**3.40 The Link Office should report transactions separately in respect of each transaction date.** For example on a reporting date (say 14<sup>th</sup> April 2002), if the Link Office reports the current date's transactions as also those of previous date (say 2nd April 2002, 10<sup>th</sup> April 2002), all the transactions should be shown distinctly with reference to each transaction date, as shown below irrespective of whether accounts of the month are open or closed at the PAD / CAS.

CORRECT METHOD

Reporting Date: 14. 04.2002

Transaction Date	Receipt Credit	Payment Debit	Net	
			Credit	Debit
14.04.2002	1,000	750	250	-
02.04.2002	7,000	9,500	-	2,500
10.04.2002	3,000	300	2,700	-
Total	11,000	10,500	2950 450	2500

INCORRECT METHOD 1

Reporting Date: 14.04.2002

Transaction Date	Receipt Credit	Payment Debit	Net	
			Credit	Debit
14.04.2002	11,000	10,550	450	-

INCORRECT METHOD 2

Reporting Date: 14.04.2002

Transaction Date	Receipt Credit	Payment Debit	Net	
			Credit	Debit
14.04.2002	1,000	750	250	-
Previous Adjustments	10,000	9,800	200	-
			450	

The reporting of figures in respect of each transaction date is necessary to enable comparison and reconciliation of differences, if any, vis-a-vis the VDMS figures at a later stage.

3.41 The Group has recommended in paragraph 3.13 and 3.14 that the DMS after verification should be returned by the Treasury (Sub-Treasury) within 2 days of its receipt to the Agency Bank branch, who should forward the VDMS to Link Office by fax on the same date of receipt. Therefore, the Link Office would, normally, receive the VDMS from the Agency Bank branch by the 5<sup>th</sup> of the following month. Considering the advancements in reporting technology, it should be possible for the Link Office to consolidate the VDMS figures and prepare the statement of monthly transactions within 2 days and forward the same to the PAD by the 8<sup>th</sup> of the following month. Accordingly, the **Group recommends that the due date for sending the Statement of Transactions to the PAD should be advanced to the 8<sup>th</sup> of the following month from the existing requirement of submission by 11<sup>th</sup> of the following month.**

**D. At Public Accounts Department, RBI (PAD)**

3.42 The net receipts and payments on account of the State Government reported by the Link Offices of the Agency Banks, through the daily advices are posted in Day Book, on a day-to-day basis. The total amount of receipts / payments as per the postings in the Day Book is debited / credited to the Agency Transaction Account and the net amount payable to or recoverable from the Agency Bank is credited or debited to their account with the RBI.

3.43 Separate accounts are maintained to record current month's transactions and previous month's transactions.

3.44 Immediately after 10<sup>th</sup> of the month following the transactions, the Link Office of Agency Bank concerned submits a monthly Statement of Receipts and Payments effected by each of the branches. The total figures of receipts and payments shown in the monthly statement of transaction submitted by the Link Office, should be tallied with figures appearing in the Day Book:

3.45 The PAD has to forward an advance copy of the monthly Statement of Transaction received from the Link Offices of Agency Banks to the Accountant General of the State.

3.46 The PAD has to maintain another subsidiary register namely, Agency Transaction – Discrepancy Adjustment, for recording

transactions pertaining to earlier months, but reported after 10<sup>th</sup> of the month. The adjustments on account of these discrepancies should not be included in the current / previous month's account. Therefore, after all the transactions of previous month accounts as reported upto the 10<sup>th</sup> of following month are accounted for and after ensuring that the total receipts and payments as advised in the monthly statement received from the Agency Banks agree with the figures appearing in the books of PAD, the adjusting entries for discrepancies are to be passed, either on the date of closure of previous months account (i.e. 16<sup>th</sup> of next month) or on the date preceding to that.

- 3.47** The transfer of balance of previous month's account in the Agencies Transaction Account on 16<sup>th</sup> of the month following the month of transactions are to be made only after ensuring that adjustment on account of discrepancies have been carried out and posted in the relevant State Government Account. The PAD will forward to CAS, four copies of bank-wise, branch-wise Statement of Transaction received from the Link Offices of Agency Banks.
- 3.48** The PAD will continue to carry out adjustments of discrepancies etc., reported by the Agency Banks in the manner stated above, even after the relevant monthly Statements are rendered to CAS. **However, the adjustments in respect of previous months should be based on copy of VDMS submitted by the Link Cell of the Agency Banks.**
- 3.49** The daily position figures of State Governments are to be advised to the CAS along with balances of various accounts, in the usual manner.
- 3.50** On the last working day of each month, PAD transfers balances in Government Deposit Account of the State Government maintained by it to the CAS. The month end transfer of balances of the State Government will not include Agency transactions.
- 3.51** The Group has observed that in the present arrangements, the PAD does not have means to distinguish whether the figures taken on its records and accounts are as per the VDMS figures or those emanating from the daily advices received by the Link



Office from its Agency Bank branches. The Group has already suggested modifications to the reporting format from the Link Office to contain original figures as well as VDMS figures (paragraph 3.38). **Similar arrangement needs to be maintained in the books of PAD / CAS as well.**

**3.52 In view of the advancing of the dates at Treasury / Sub-Treasury and Link Office level, it becomes possible for the PAD to consolidate and report to the CAS, within 3 days i.e. by 11<sup>th</sup> of the following month. This would facilitate CAS to report to the State Government as well as the Accountant General, the Cash Balance position of a month, by 15<sup>th</sup> of the following month. The PAD is expected to send to the Accountant General an advance copy of the monthly report of the Link Office. It would cut short the time, in case the Link Office itself sends the advance copy of its monthly report meant for the PAD to the Accountant General. Similarly, it would facilitate advance action if the PAD sends to the Accountant General an advance copy of its Monthly Report meant for the CAS.**

**E. At Central Accounts Section, RBI, Nagpur (CAS)**

**3.53 CAS continues to account for the State Government transactions / adjustments pertaining to the pre-decentralization period.**

**3.54 It receives the daily position of Government transactions including those of State Government Deposit Account, from the PADs.**

**3.55 It also receives Inter-Government Adjustment Advices (IGA) from the Accounts Officers of various Ministries / Departments of Central Government and the Accountants General of various State Governments for debit / credit of the amount mentioned on the advices to the accounts of the State Governments.**

**3.56 CAS arrives at the daily balance position of the State Government on the basis of :-**

- Opening balances
- Balances reported by the PADs.

- IGAs and other adjustments carried out by it in respect of discrepancies in Agency Bank transactions relating to pre-decentralization period and

- Adjustments on account of miscellaneous transactions such as discharge value / interest payment on State Government borrowings, Liaison Office transactions, Currency Transfer transactions in respect of non-banking Treasuries, etc.

**3.57** CAS receives four copies of the Monthly Statement of Transactions effected at the PAD and four copies of bank-wise, branch-wise Monthly Statement of Transactions furnished by the Link Offices of Agency Banks. CAS compiles and consolidates all the transactions and forwards three copies of the Statement along with details of the transactions to the Accountant General by 20<sup>th</sup> of the succeeding month.

**3.58** It would be in the interest of speedy and accurate reconciliation of the Cash Balance of a State, that CAS adopts a mechanism to distinguish whether or not its figures concerning Agency Bank transaction are based on the VDMS details. **The Group recommends that appropriate changes may be made in the reporting formats.**

**3.59** It is necessary that the correct Cash Balance position of a State is determined and reported in the shortest possible time. Under the revised arrangements, the PAD would be reporting to the CAS by the 11<sup>th</sup> of the following month. **The Group recommends that the CAS may report to the State Government and the Accountant General regarding the final Cash Balance position of the month by the 15<sup>th</sup> of the following month, as against the existing due date of 20<sup>th</sup> of the following month.** Such advancing of the reporting would also enable the advancing of dates in rendering of accounts to the State Government by the Accountant General, after implementation of the Voucher Level Computerization Project. It would be in the fitness of things to take advantage of benefits of computerization by the CAS. **To ensure the revised time schedule discussed in the Chapter, the due dates for the various agencies down the line for submission**

of the VDMS and other returns, may be changed as indicated below:

Sr. No.	Name of the Return	Agency by whom Submitted	Existing Due Date	Revised Due Date
1.	Submission of the DMS to the Treasuries	Agency Bank branch	Not later than 1 <sup>st</sup> working day of the following month.	Not later than 1 <sup>st</sup> working day of the following month.
2.	Returning of the VDMS to the Agency Bank branch	Treasury / Sub-Treasury	Within 3 days from the date of receipt of the DMS.	Within 2 days from the date of receipt of the DMS.
3.	Transmission of the VDMS to the Link Offices	Agency Bank branches	On the same day of receipt of the VDMS from the Treasuries	On the same day of receipt of the VDMS from the Treasuries
4.	Statement of monthly transactions of Receipts & Payments to the PAD	Link Offices of Agency Banks	11 <sup>th</sup> of the following month	8 <sup>th</sup> of the following month
5.	Branch wise, bank wise statement of transactions from PAD to CAS	PAD	16 <sup>th</sup> of the following month	11 <sup>th</sup> of the following month

**3.60** The Inter Government transactions are directly put through by CAS on the basis of advices received from the Accountants General or the Pay and Accounts Officers. Increase or decrease in the Cash Balance of a State on this account is reported by the CAS through the Clearance Memos (CM). It is an on-going process and therefore, it is not uncommon to encounter differences in the Cash Balance of a State as per banker's books (CAS) and the books of the accountant (Accountant General). The Accountant General, correspondingly increases or decreases the Cash Balance of a State in his books, only on receipt of the CM. **CAS is giving, on a monthly basis, to the Accountant General, a list of CM. Such a list could accompany the monthly report of Cash Balance being sent by the CAS on the 15<sup>th</sup> of the following month, in the new procedure. Another alternative could be serially numbering the Clearance Memos, which would enable the receiver to track missing memos.**

**F. At the Office of Accountant General (AG)**

- 3.61** The Accountant General receives two copies of VDMS from the Treasury Officer along with the monthly cash (RBD) statements.
- 3.62** The Accountant General verifies the figures reported by the Treasury with those reported by the CAS. Discrepancies between the two sets of figures are listed and advised to the PAD in the State or nearest to the State Headquarters. While doing so, a copy of the VDMS received from the Treasury is also forwarded to the PAD.
- 3.63** The Accountants General are also required to furnish to the CAS a certificate of confirmation of balances, for each month.
- 3.64** The differences in the Cash Balance of a State as per the Accountants General's books and the records of the CAS are usually analyzed in the monthly Civil Accounts rendered to the State Government. Such analysis of difference should not be merely at the overall net level, but with reference to each category of transaction, as detailed in Chapter IV. The terminology adopted in accountal of balances and the differences should be uniform among the State Governments.
- 3.65** Measures suggested above would reduce the incidence of differences in the Cash Balance figures of the Accountant General and the CAS. It is still possible that certain differences exist, due to late receipt of initial accounts by the Accountant General from the Treasuries and Public Works & Forest Divisions. The State Governments should ensure for the timely submission of accounts to the Accountant General by the concerned Departments / Treasuries. While difference may occur in the month-wise balance, there should not be any difference between the cash position as per the Accountant General's book and the CAS figures, at the closing of Annual accounts by the 30<sup>th</sup> June of every year.

## CHAPTER IV

### CONFIRMATION OF BALANCES

- 4.1 The Cash Balance of a State consists of (i) Transactions reported by the Agency Banks (ii) Transactions directly carried out at Regional Offices of RBI (iii) Inter Government adjustment carried out at CAS and (iv) Adjustment Transactions of Pre-1987 period. The Monthly Statement of Cash Balance sent by the CAS to the Accountant General contains the net position (Debit or Credit) of all the above-mentioned four items clubbed together.
- 4.2 Simultaneously, the Accountant General arrives at the monthly Cash Balance of the State based on the computation of the accounts rendered by the Treasuries and other sources. Differences between the Cash Balance of a State as arrived at by the Accountant General and CAS have to be reconciled and cleared.
- 4.3 With regard to the Agency Bank transactions, detailed instructions exist for reconciling the differences. As per the existing procedure, the Accountants General receives two copies of VDMS from the Treasuries along with monthly cash (RBD) statements by 10<sup>th</sup> of the following month. The Accountant General verifies the figures reported by the Treasuries with those reported by the RBI. Discrepancies / differences between the two sets of figures are listed and forwarded to the PAD along with copy of VDMS for rectifying the differences. The existing procedure of reconciliation of the Agency Bank transactions in the Accountants General offices is considered adequate. There were several instances of irregular reporting of transactions by the branches of Agency Banks to their Link Offices. In some cases, the banks reported to their Link Offices the transactions, which were not reflected in the VDMS. Wrong and irregular reporting by the branches and their non-rectification by the Link Offices with reference to the VDMS was one of the main reasons for the differences between figures of Accountant General and RBI. **The Group strongly believes that if measures suggested in Chapter III of this Report are implemented and adhered to, chances for differences (other than the temporary difference on account of exclusion of accounts) will be minimized and even in cases where differences occur, could be effectively reconciled, as the suggested improvement in**

reporting by the Link Offices to the PADs, *inter alia*, ensures transparency, completeness and accuracy in the figures of VDMS.

- 4.4 In respect of Inter Government Adjustments and other transactions carried out by CAS, no instructions outlining the method of reconciliation exist. The Accountants General may reconcile and confirm the balances on a case-by-case basis. **To facilitate the item-wise reconciliation, CAS may furnish the net Cash Balance under each item supported by details. For example, while furnishing the receipts, payments and net balance under Inter Government Adjustments made by CAS, a list of advices supporting the Receipts and Payments may be sent to the Accountants General. Similarly, in respect of other State transactions put through at PADs, CAS may furnish the list of transactions along with the summary of Receipts, Payments and Balance. The Group recommends revision of the format, in consultation with the Accountant General of few States, of Statement of the Closing Balance (as given in Annexure – III).**
- 4.5 Some of the Accountants General were of the view that the Cash Balance report from CAS were sent to them belatedly, due date being 20<sup>th</sup> of the following month. **To facilitate timely compilation of the State Government accounts, CAS may send the Cash Balance report together with other documents by 15<sup>th</sup> of the following month.**
- 4.6 While the old pending discrepancies and related issues may be handled separately, **the Group recommends that in future, the Accountants General may give confirmation to the CAS on item-wise Cash Balance during the month within fifteen days of the reporting of the balances by the CAS. If the figures of an Accountant General vary from that reported by RBI during any month, the differences should be identified and reconciled expeditiously. Apart from the monthly reconciliation, there should be a system of confirmation of Annual Cash Balance of State within two months from the date of receipt of the figures from RBI.**
- 4.7 As per the directions of Comptroller and Auditor General of India, a cell called "RBD Cell" has been functioning in the office of the Accountant General (A&E) II, Maharashtra, Nagpur, since 2001 to coordinate with the Accountants General and CAS for the clearance of the outstanding discrepancies of the pre-1987 balances. **To strengthen these efforts, the Group recommends**

that the Agency Banks and CAS may also set up separate cells consisting of dedicated staff so as to have better liaison with the Accountants General.

- 4.8 There should be regular meeting of officials of the PAD, CAS and the Accountants General Office at every quarter to sort out the differences, if any.
- 4.9 The Group considered a proposal for freezing the old outstanding discrepancies 'as it were basis' and adopting the same by the parties concerned, particularly in the context of non-availability of old records and details to establish or disprove the claims of the parties (Agency Bank, Central and State Governments). The Group concluded that
- (i) The old outstanding discrepancies (prior to 1987) may be settled with reference to VDMS or other acceptable documents by mutual concurrence of the parties concerned through the meetings arranged by the RBD Cell of Accountant General (A&E) II, Maharashtra Nagpur.
  - (ii) Where relevant records are not available, approval of the State Government concerned may be taken for clearance of individual items up to Rs 20,000/- on adhoc basis, as was done in the case of Rajasthan.
  - (iii) Identify the discrepant items and amount that remains outstanding after doing the exercise mentioned in (i) & (ii) above and refer these cases to a Group comprising of an officer from RBI, representative of the Comptroller and Auditor General of India and representative of an Agency Bank (by rotation), to take a decision on the basis of facts and figures available.
- 4.10 As far as post-1987 discrepancies are concerned, efforts should be made by the parties to settle them through the existing arrangements of regular meetings of the representatives of Accountant General, Agency Bank and the PAD.

## CHAPTER V

### USE OF INFORMATION TECHNOLOGY IN MANAGEMENT OF GOVERNMENT ACCOUNTS

- 5.1 With different levels of computerization prevailing / taking place in various State Governments, Agency Banks, Reserve Bank Offices and the Accountants General Offices, it is appropriate to explore the ways to achieve the following objectives:
- \* State Governments to get the accounts of their transactions expeditiously.
  - \* Availability of faster and adequate MIS reports to the parties concerned.
  - \* Agency Banks to get timely reimbursement of payments.
  - \* To avoid errors in reporting and reconciliation by minimizing the points of data inputs and
  - \* Facilitate faster compilation of accounts at the Offices of Accountants General.
- 5.2 The Working Group desires that a pragmatic approach be adopted on computerization involving multiple agencies with a coordinated approach. There is a need to eliminate the differences in the Cash Balance of a State in the books of the banks and the Accountants General, as well as to ensure expeditious accountal of the cash transactions including the reimbursements to the banks.
- 5.3 All Agency Bank branches handling Government business on one side and Treasuries / Sub-Treasuries on the other should move towards centralized maintenance of accounts and processing. Accounting when centralized, reduces cost of operations, ensures availability of up-to-date information and improves management, paving the way for uniformity in standards. **The Group recommends that the concerned functionaries should gradually move towards the centralized system of maintenance of accounts and processing.**
- 5.4 While moving towards the goal of centralized maintenance of accounts may take some time, a basic MIS requirement of States can be met in the interregnum in the following manner:  
**Link Cells of Agency Banks may submit on daily basis, branch-wise and transaction date-wise position to the concerned PAD electronically, which may forward the same to CAS. As each branch**



corresponds to one Treasury, this will make it possible for Finance Department of the State to get a Treasury-wise break-up of their transactions and monitor timely credit of receipts into their account, by logging on to the computer system of CAS. This is merely MIS facilitation to State Finance Departments. The Group recommends accordingly.

- 5.5 Efforts should be made progressively to switch over to cheque payment, replacing the present bill payments system in some States... This will minimize the movement of bulky documents and facilitate easy capture of data.
- 5.6 Data on cheques / bills issued by the Treasury should be transmitted to the relevant Agency Bank branch through electronic mode (floppy/ mail) under secured conditions, so that the actual instruments, when presented to the bank, could be cross-verified against the information received from the Treasury, in order to avoid any wrong payments.
- 5.7 Similarly, on the receipts side, the format of the challans should be standardized for convenient use in a computerized environment and convenient data entry. This could include adoption of different colours, boxes and certain pre-printed information.
- 5.8 From the challans tendered, the Agency Bank branch should capture the essential information and send them in a floppy to the Treasury / Sub-Treasury along with the existing manner of hard copy of the scroll and accompanying documents. For a brief period, the Treasury / Sub-Treasury could adopt the data from the floppy and check the same with reference to the documents received. This would minimize the data entry burden at the Treasury / Sub-Treasury level and provide adequate time for ensuring accuracy and correctness. Subsequently, after proper study of the systems security and fulfilling the statutory requirements, electronic transfer mode could be considered for transfer of data concerning the challans input.
- 5.9 Standardization of data structures and procedures in respect of the areas covered in paragraphs 5.6 to 5.8 have been suggested in Annexure IV.
- 5.10 It should be ensured that the documents emanating from the Treasury and the Agency Bank branch should be in computer printout and not in manuscript form. Especially, important outputs such as scrolls, DMS,

Daily Advices, etc., from the Agency Bank branch should be in computer printouts and in standard form.

- 5.11 It should be ensured that the reports are generated with reference to database figures and not from separate data entry of inputs; for example, the DMS should be generated using the total figures of daily scrolls automatically and not from separate data entry of the daily scroll totals, as it leads to avoidable mistakes.
- 5.12 In order to achieve expeditious reporting, the Agency Bank branch could explore the possibility of using the e-mail to communicate the daily transactions to its Link Office, in addition to, using the telegram / fax mode, after ensuring proper system security arrangements.
- 5.13 Pattern similar to that mentioned in the paragraph 5.9 and 5.10 could be considered for the transmission of data from the Link Office to the PAD. There should be no manual mode of data transmission between the Link Offices and the PAD.
- 5.14 As the Accountants General offices have launched a massive Voucher Level Computerization Project in 20 states that have gone on-line, it would be desirable, if a proper electronic link is considered between the Accountants General offices and PAD on the one hand and Accountants General offices and the CAS on the other, for better and speedy co-ordination.
- 5.15 All the parties should make efforts to share their data electronically, duly ensuring transparency, correctness and security of the data.

## CHAPTER VI

### SUMMARY OF RECOMMENDATIONS

**6.1** The Working Group agreed that the systems and procedures outlined in the existing "Scheme of Partial Decentralization" introduced in 1987, are broadly adequate to meet the accounting and reporting requirements and that the present problems have been mostly due to inadequacies and lags in the implementation of the scheme, by the parties involved.

(para 3.1)

**6.2** Wherever discrepancies are noticed with regard to the number of documents and or amount of transactions reported by the Agency Bank branch in the Pass Books, the Treasuries should communicate such discrepancies back to the Agency Bank branch through a formal return of Memorandum of Error, as in Annexure I.

( para 3.9)

**6.3** In the context that the prescribed Pass Books are either not maintained or maintained in various form and to make it a basic document of reliability and confirmation of Government transactions, the existing format of Pass Books may be revised, as given in Annexure - II.

( para 3.10 )

**6.4** To ensure timely crediting of receipts into Government account and prevent delays in crediting the receipts by the Agency Banks, penalty for the period of delay beyond the permitted time for such reporting has been recommended, at the rate of two percentage points above the Bank rate, in respect of delayed receipts of Rs.10 lakhs and above.

( para 3.11 )

**6.5** The Group recommends that all transactions at an Agency Bank branch be reported to its Link Office by fax / telex / telegram / e-mail.

(para 3.12)

**6.6** The Group recommends that the Treasury / Sub-Treasury should return the DMS duly verified within 2 days of its receipt to the Agency Bank branch, instead of 3 days.

(para 3.13)

**6.7** The Group recommends that RBI may bring out a Handbook containing all the related instructions, for use of the concerned functionaries.

(para 3.19)

**6.8** In case of any difference between the figures in the VDMS and the figures as reported by the Link Offices to the PAD, such difference should be rectified with reference to the VDMS as soon as the VDMS is received by the Link Offices of the Agency Bank.

(para 3.20)

**6.9** RBI should address the issue of linking one Treasury with one Agency Bank branch.

(para 3.21)

**6.10** The DMS be prepared by the Agency Bank branch in quintuplicate (for Treasury) and in sextuple (for Sub-Treasury) wherever Government business is computerized. This will enable the Treasury to return two copies of the VDMS to the Agency Bank branch, for use of the branch and Link Office.

(para 3.24)

**6.11** In order to ensure that there is no time gap between the collection of money by the Agency Bank and its credit to the State Government account, Director of Accounts and Treasuries may organize a periodical test check of the Treasuries / Sub-Treasuries for comparing the dates in the challan and in the scroll for high values. This should figure in the checklist as a regular item for the various agencies inspecting the Treasuries / Sub-Treasuries.

(para 3.26)

**6.12** Comptroller and Auditor General of India may prescribe a standard format for reporting to the Accountants General by the Treasuries, the Receipts and Payment transactions handled in the Agency Bank.

(para 3.27)

**6.13** Group recommends that the due date for sending the statement of transactions to the PAD should be advanced to the 8<sup>th</sup> of the following month from the existing requirement of submission by 11<sup>th</sup> of the following month.

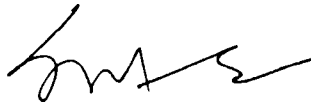
(para 3.41)


- 6.14** Revision of time schedules in the reporting have been suggested by the Group, so that the CAS may report to the State Government and the Accountant General, the final Cash Balance position of the month by the 15<sup>th</sup> of the following month, as against the existing due date of 20<sup>th</sup> of the following month.  
(para 3.59)
- 6.15** To facilitate item-wise reconciliation, the Group recommends that, CAS may furnish the net Cash Balance under each item, supported by details. It also recommends revision of the format of the Statement of the Closing Balance, as suggested at Annexure – III.  
(para 4.4)
- 6.16** Accountants General may give confirmation to the CAS on item-wise Cash Balance during the month, within fifteen days. Apart from the monthly reconciliation, there should be a system of confirmation of Annual Cash Balance of State, within two months from the date of receipt of the figures.  
(para 4.6)
- 6.17** There should be a quarterly meeting of the officials of PAD, CAS and the Accountants General Office, to sort out the differences.  
(para 4.8)
- 6.18** The old outstanding discrepancies (prior to 1987) may be settled with reference to VDMS or other acceptable documents, by mutual concurrence of the parties concerned, through the meetings arranged by the RBD Cell of Accountant General (A&E) II, Maharashtra, Nagpur.  
(para 4.9)
- 6.19** The Group recommends that the various functionaries should gradually move towards the centralized system of maintenance of accounts and processing.  
(para 5.3)
- 6.20** Efforts should be made to progressively switchover to cheque payment system, replacing the present bill payments system.  
(para 5.5)
- 6.21** The Group recommends that the format of the challans should be standardized, for convenient use in a computerized environment.  
(para 5.7)
- 6.22** The Group recommends that there should be no manual mode of data transmission between the Link Offices and the PAD.  
(para 5.13)

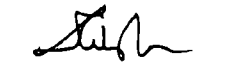
6.23 It is desirable to have a proper electronic link between the Accountants General offices and Regional Offices of RBI on one-hand and Accountants General offices and CAS on the other.


(para 5.14)

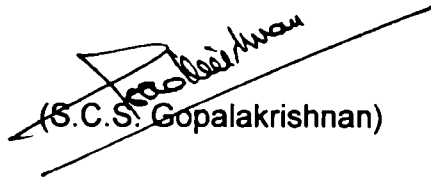
  
(A.K. Sohani)  
Chairman

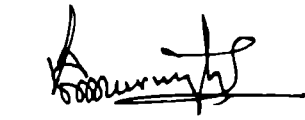
  
(S.K. Arora)


  
(Sudeep Banerjee)

  
(Samar Ghosh)


  
(Sudhir Shrivastava)

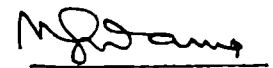
  
(S.C.S. Gopalakrishnan)

  
(S. Murugiah)

  
(U.K. Maitra)

  
(K. Venkatappa)

  
(B.M. Musaddi)

  
(M.G. Warriar)  
Member Secretary

## Memorandum of Error

The Branch Manager  
 \_\_\_\_\_ Bank  
 \_\_\_\_\_

Dear Sir,

With reference to your Daily Receipt / Payment scroll No. \_\_\_\_\_ dated \_\_\_\_\_ we advise that the following deficiencies have been observed:

S.No. in scroll	Receipt / Payment	Amount	Nature of discrepancy	Suggested rectification

Please arrange to rectify the above deficiencies at the earliest and confirm.

(Treasury Officer)

Date:

The above deficiencies have been rectified on \_\_\_\_\_ and reflected at serial no. \_\_\_\_\_ in our scroll no. \_\_\_\_\_ of date \_\_\_\_\_

(Branch Manager)

Date:

*Note: Three copies of the above memorandum may be prepared by the Treasury Officer / Sub-Treasury Officer. Two copies of the same may be sent to the Bank branch, one of which may be retained by the branch and the original returned back with confirmation of rectificatory action, as suggested above.*

**Pass Book of Daily Transactions**

Pass Book of Receipts and Payments - Side 'A' (for use by Bank branch)

Date of Transmittal	Date of Transaction	Total receipts for the day	No. of challans	Total payments for the day	No. of vouchers	Initials of Branch Manager	Initials with date of Treasury / Sub-Treasury Officer

Pass Book of Receipts and Payments - Side 'B' (for use by Treasury / Sub-Treasury)

Date of Receipt	Date of Transaction	Certified receipts for the day	No. of challans received	Certified payments for the day	No. of vouchers received	Remarks (attach working sheets if required)	Initials of Treasury/ Sub-Treasury Officer	Initials of Branch Manager (with date)



## Closing Balance Statement and Confirmation

**Reserve Bank of India  
Central Accounts Section  
Nagpur**

To

The Accountant General  
Government of \_\_\_\_\_  
\_\_\_\_\_.

Dear Sir,

We append the monthly account statement of closing balance of your State for the Month of \_\_\_\_\_  
The supporting documents are also enclosed. We shall be glad if you will confirm that the balances shown in respect of items 1 to 9 in the statement agrees with the books of your Office. Please use enclosed Form 'A' for the confirmation.

( \_\_\_\_\_ )  
MANAGER

Enclosure :- One

S.No.	Particulars	Receipts	Payments	Net
1.	Inter-Government and other transactions booked directly by CAS (as per date-wise list attached)			
2.	Transactions originated at RBI Offices other than those attached to your State and booked by CAS. (as per CAS date-wise list attached)			
3.	Transactions of pre 1.10.1987 period, adjusted by CAS (as per statement attached)			
4.	Sub Total (1+2+3)			
5.	Transactions at RBI Office			
6.	Sub Total (1+2+3+4)			
7.	Transactions of Agency Banks (as per summary)			
8.	Total (1+2+3+4+5)			
9.	Net Dr/Cr for the month			
10.	Progressive Total brought forward from previous month			
11.	Progressive total upto current month carried over			
12.	Net Progressive Dr/Cr			

**Certificate of Confirmation of Balances**

The Regional Director  
Reserve Bank of India  
Central Accounts Section  
Nagpur

Dear Sir,

\* With reference to your monthly account statement for the month of \_\_\_\_\_ we confirm that the net amounts shown against items 1 to 9 tallies with our books.

\* With reference to your monthly account statement for the month of \_\_\_\_\_ we advise that the items shown below do not tally with our books for reasons mentioned thereagainst .

S.No.	Particulars	Net Amount as per Books of RBI	Net Amount as per AG's Books	Reasons for variation(a/a	Remarks
1.	Inter-Government and other transactions booked directly by CAS (date-wise list attached)				
2.	Transactions originated at RBI Offices other than those attached to your State and booked by CAS. (date-wise list attached)				
3.	Transactions of pre 1.10.1987 period, adjusted by CAS (statement attached)				
4.	Sub Total (1+2+3)				
5.	Transactions at RBI Office _____ (attached to the State)				
6.	Sub Total (1+2+3+4)				
7.	Transactions of Agency Banks put through (as per summary)				
8.	Total (1+2+3+4+5)				
9.					
10.					
11.					
12.	Net Dr Cr for the month				

Accountant General  
Government of \_\_\_\_\_  
\_\_\_\_\_

Date:

\* Strike out whichever is not applicable  
a/a Attach working sheets, if necessary

**Standardisation of Data Formats**

- 1) Data on cheques / bills issued by it should be captured on a Computer by the Treasury and transmitted to the relevant Bank branch through electronic mode (floppy / mail). The data should comprise of the following fields:

Sr. No.	Particulars	Specification
1.	Instrument Number	Character, 3 + Number, 9
2.	Instrument Date	DDMMYYYY
3.	Beneficiary's name	Character, 30
4.	Amount	Number, 16
5.	Signatory code	Number, 5

In order to avoid any wrong payments, instruments when presented to the bank branch for payment must be validated against the information got from the Treasury. The only exception to payments not covered under the above arrangement would be Letter of Credit (LOC), Personal Ledger and Local Funds accounts, in which case checks will be exercised by the Bank branch, on the basis of instrument number, LOC limit, etc. On the above data, the bank branch will add the date of payment and use the set of data for preparation of scrolls.

- 2) From the challans tendered at the counter, the Bank branch should capture the following information:

Sr. No.	Particulars	Specification
1.	Date	DDMMYYYY
2.	Major Head	Number, 4
3.	Beneficiary details	Character, 30
4.	Depositor's Name	Character, 30
5.	VAT/Professional Tax No.	Number, 10
6.	Amount	Number, 16
7.	Flag	Character, 1

- 3) At the end of the day, the Bank branch will send an electronic scroll to the Treasury. The data supplied by the branch, can be used by the Treasury for further value additions, if required. **After checking the data, a flag should be set by the Treasury software to indicate the items, as accepted or unaccepted.** The items flagged as unaccepted by the Treasury, will get copied into the floppy of the next day, prepared by the Treasury.
  
- 4) **The software at the bank branch should ensure that the DMS is generated only after rectification of all such non-accepted items.** As there will be no manual intervention, it is expected that the DMS will be 100% accurate when generated. Further, the data captured, can also serve the purpose of an electronic Pass Book.